



Multistate Tax Commission (MTC)
Nexus Committee Minutes – OPEN SESSION

December 10, 2014
 Nashville, Tennessee

Participants:

| State | Name |
|-------------------------------------|---------------------------|
| AL Department of Revenue | Holly Coon |
| | Michele Mayberry |
| | Rouen Reynolds |
| AR Department of Finance & Admin. | Deanna Munds-Smith |
| CO Department of Revenue | Dennis Lima* |
| CT Department of Revenue | Kathryn Lewis |
| | Andrea Taylor |
| DC Office of Tax & Revenue | Aaishah Hashmi |
| | Charles Wilson |
| FL Department of Revenue | Maria Johnson |
| GA Department of Revenue | Steven Alvarez |
| | Anita DeGumbia |
| ID State Tax Commission | Randy Tilley* |
| | Steve Wynn |
| KY Department of Revenue | Marcia Oakman |
| | Donald Richardson |
| LA Department of Revenue | J. A. Cline |
| Comptroller of MD | Monica Best James |
| MO Department of Revenue | Wood Miller |
| | Esta Zaring* |
| MT Department of Revenue | Lee Baerlocher |
| | Gene Walborn |
| NC Department of Revenue | Lennie Collins (Chairman) |
| | Leanne Johnson* |
| ND Office of State Tax Commissioner | Matt Peyerl |
| | Myles Vosberg |
| | Dee Wald |
| NM Taxation & Revenue | Dan Armer* |
| OR Department of Revenue | Christi Daniken* |
| | Gary Humphrey |
| | Don Jones |
| PA Department of Revenue | Jason Weimer |
| | Anita Conner * |
| State of SD | Doug Schinkel |
| TN Department of Revenue | Joan Cagle |



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| TX Comptroller of Public Accounts | Rusty Johnson* |
| UT State Tax Commission | Mike Christensen* |
| | Frank Hales |
| WA State Department of Revenue | Karolyn Bishop |
| | Gil Brewer |
| | John Ryser |
| WI Department of Revenue | Rick Debano |
| Affiliations | |
| Fast Enterprises | Virgil Helton |
| COST | Karl Frieden |
| Multistate Tax Commission Staff | Keith Getschel |
| | Thomas Shimkin |
| | Diane Simon-Queen |
| | Steve Yang |
| | Ben Abalos |
| Consultant to MTC | Elizabeth Harchenko* |

* Participated by telephone

Italicized text indicates a committee action or a matter for follow-up.

I. Welcome and Introductions

Nexus Committee Chairman Lennie Collins (NC) convened the meeting and requested that attendees introduce themselves.

II. Review of Agenda

Chairman Lennie Collins reviewed the open session agenda.

III. Review of Open-Session Minutes of July 29, 2014

Participants asked no questions about the July 29, 2014 minutes, except that Chairman Lennie Collins noted Anita DeGumbia (GA) is now a project team member of the voluntary disclosure improvement project. [Strategic Planning Consultant to the MTC, Elizabeth Harchenko, had informed the MTC subsequent to the July 29 Nexus Committee meeting, that Anita Degumbia had volunteered for the project team.] *Gene Walborn (MT) moved for approval of the minutes, and the Nexus Committee approved.*

IV. Public Comment

None.

V. Nexus Director's Report

Nexus Director Thomas Shimkin reported that the Nexus program collected \$3,160,318 on behalf of member states for partial FY 2015 (July 1, 2014 – October 31, 2014) and executed 254 contracts. When non-members to the Nexus Program are counted, the Nexus Program executed 303 contracts. The average contract value for Nexus Program members for partial FY 2015 is \$12,442.

Mr. Shimkin reported that two Nexus Committee suggestions have speeded up service to member states: the cessation of voluntary disclosure service to non-Nexus member states, and the \$500 minimum threshold for estimated back tax liability over the lookback period of a member state.

Commenting on the Nexus Program's continuing work on its voluntary disclosure database, Mr. Shimkin informed the Committee that the next major database project will improve the online voluntary disclosure website. He said that it must be rewritten to be compatible with contemporary versions of web browsers.

Mr. Shimkin described Nexus Program staff members' roles and their activities during the current fiscal year.

He asked that those states who had not already done so consider putting on their organization's website a link to the MTC's voluntary disclosure webpage.

VI. Strategic Planning

a. Progress report and discussion of the Membership Project

Gene Walborn (MT) gave a brief history of the project, the team's current information-gathering efforts, and the intended completion target (January 2015).

Chairman Collins and Director Shimkin sought information from Committee members about how the National Nexus Program (NNP) has benefited their states, how well the voluntary disclosure procedures of the states mesh with those of the NNP, how the NNP might better assist states' compliance efforts, and what motivated new members to join, and any comments from states that are members, but have not actively participated in the Nexus program. Various states' responses follow:

- Lee Baerlocher (MT): "It's always been nice to have a single place of contact for nexus."



- Gene Walborn (MT): “Being a small state, the benefit for us is that there are a lot of folks that will go to the [MTC’s] MVD program who would otherwise ignore us.”
- J.A. Cline (LA): [the MTC’s MVD Program] “allows us to do more with fewer resources.”
- J.A. Cline (LA): “...different systems do integrate well. Sometimes, we alter our procedures at LA [based on how the MTC operates]... does dovetail well into the VDA program.”
- Anita DeGumbia (GA): “one thing GA finds valuable is the fact that your documentation is very thorough. We also handle VDA’s directly from taxpayers; we have to go back to them. But with your agreements, you give us a lot of detail that helps us get disclosures done.”
- Joan Cagle (TN): In response to Director Shimkin’s view that the Nexus Program serves as a “first-filter,” Ms. Cagle said “we like it when you make recommendations,” and “we like that everything comes to us electronically.”
- Steven Alvarez (GA): “We get a lot of referrals.” He also shared that taxpayers are advised that if they have several states to contact, that they “may want to contact the MTC first.”
- Lee Baerlocher (MT): “What we really like is the roundtable – just getting all the states in one room so we can bounce ideas off each other.”

Miscellaneous comments:

- In response to a question regarding whether a state ought to share information received from taxpayers under that state’s own voluntary disclosure program with the MTC, Director Shimkin adamantly said that MTC would refuse such information.
- Myles Vosberg (ND): “Streamlined Sales Tax changes the dynamics for sales tax issues [relating to] remote sellers and so eliminates some voluntary disclosures.”

b. Progress report and discussion of the Project Team for Improvement of Multistate Voluntary Disclosure

Myles Vosberg (ND) and Anita DeGumbia (GA) briefed the Nexus Committee on the work of the Multistate Voluntary Disclosure Project Team. The project team plans to hold monthly meetings, including a face-to-face meeting in

March, and to wrap up the project in June 2015. The team intended to focus its information gathering in a couple of ways: team members were each assigned two or three non-member states to contact and ask about their likes, dislikes, or reasons for not participating in the MTC's voluntary disclosure program, and Anita Degumbia (GA) offered to contact the Big Four accounting firms to elicit their comments.

The project team will do a detailed review of the document that Ms. Diane Simon-Queen created, as it continues its information gathering.

Committee members offered the following observations about the current multistate voluntary disclosure program.

- Anita Degumbia (GA): There are some things “we need in our VDA process that other states might not...” Steven Alvarez (GA) elaborated: For certain income taxes, “we always want to put something in our agreements that [indicates] that we don’t accept NOL [carry-forwards]. Matt Peyerl (ND) was curious as to how many states don’t accept NOL carry-forwards in their agreements. He said that ND doesn’t accept them, but realizes that there is some way “to game” [the system] using lookback periods.” J. A. Cline (LA): “We have a \$500 threshold, so if you have losses for three years, you don’t have a liability” and that if the taxpayers have NOL, “they can’t carryback to VDA periods; they must carry them forward.”
- Myles Vosberg (ND) asked how the MTC handles disclosures from a taxpayer who has multiple states, but chooses not to submit its voluntary disclosure applications all at once.” Nexus Director Thomas Shimkin responded: “That’s perfectly fine with me. The taxpayer chooses which states to apply to and when. Because it is a voluntary process we do not look behind those decisions. Some applicants do this because they do not have the resources to prepare returns or come up with money for all states at one time.”
- Certain states have standardized forms. The representatives of AL, LA, and WA advised that their standardized forms are posted on their agency website.
- Elizabeth Harchenko (consultant to MTC) asked whether there were any taxpayer representatives present who have had experience with the MTC Multistate Voluntary Disclosure Program. No one responded.

c. Next steps



Chairman Collins thanked committee members for their valuable input. Ms. Harchenko echoed that the committee had done good work. Mr. Collins said that the next step is for committee members to consult with members of their departments, especially staff members who work most directly with voluntary disclosure, and to bring additional feedback to the March 11 meeting in Kansas City, Missouri. The project team wants to know what works and what doesn't with respect to the Commission's program. Suggestions for improvements will be particularly helpful, he said. He said that it would be best to start with gathering additional information about how to answer the self-assessment questions that the project team presented to the committee.

VII. New Business

There was no new business.

VIII. Closed Session (attended by state personnel only).

The Committee entered closed session, and returned to open session. There were no members of the public present to hear the report from the closed session.

IX. Adjournment

The Committee adjourned.

For more information about this meeting, please contact Thomas Shimkin, Director of the National Nexus Program, Multistate Tax Commission, 444 North Capitol Street, N.W., Suite 425, Washington, D.C. 20001 * (202) 695-8139 * Tshimkin@mtc.gov